

Initial findings of CHTF

Payment Methods use by RI Major Insurers

BCBS

- Per diem method used for all 8 community hospitals with three per diem groups (medicine, surgery, and OB). Pediatrics are grouped into either medicine or surgery depending on service delivered. For certain costs (e.g. specialty equipment or treatments) include an added cost based reimbursement to per case.
- Beginning to use outcome incentives for performance, which is in addition to the per diem method (currently used in 4* hospitals). *correction made after May 30th

United

- Per diem method used for 5; which uses a single blended per diem rate for 3 and splits Med and Surg in 2 others (excluding OB which are case rates in all hospitals)
- Case rate used for 3. which uses a based rate that is negotiated with each hospital and Medicare DRG multiplier.

Medicare

- Case rate based on DRGs. Each hospital has a calculated base rate that is multiplied by the DRG multiplier to get the payment (see Figure 1). The base rate is calculated using a national federal the hospitals operating and capital base payment rate, adjusted by area wages and wage index . In RI all the hospitals have the same wage index applied. In addition, to the case rate, hospitals can receive additional payments for:
 - Graduate Medical Education
 - Indirect Medical Education
 - Disproportionate share
 - Bad Debt
 - Organ transplant

Medicaid

- Percentage of charges billed (percentage negotiated with each hospital annually).
- All-inclusive per diem for NICU stays
- Managed care products

Table 1. Variation in reimbursement between community hospitals¹

% difference from Referent Hospital ²	# Community Hospitals			
	BCBS	United	Medicaid	Medicare ³
100 to 120%	6	5	1	7
121 to 140%	1	0	3	1
141 to 160%	1	3	1	
>161%			3	

¹ Community Hospitals included in analysis:

Kent
Landmark
Memorial
Newport
Roger Williams
South County
St. Joseph
Westerly

² Comparing each hospitals average per diem reimbursement to the lowest reimbursed hospital by each insurer.

³ Medicare case rate rather than per diem rate since Medicare reimburses on case basis. Medicare reimbursement is based on a formula multiplying base rate time wage index times DRG weight. All RI have the same base rate and wage index.